



**United States Department of Agriculture
Rural Development
State Office**

November 30, 2004

SUBJECT: Wisconsin Rural Development Guaranteed Rural Housing (GRH) Funding
Update for Fiscal Year 2005

TO: Approved GRH Lenders and Originators

Following is important information regarding the funding status and program delivery of Wisconsin's GRH loan program. Please distribute this information to all of your branch offices, correspondent banks, or mortgage originators that originate GRH loans in Wisconsin.

URGENT!* GRH FISCAL YEAR 2005 FUNDING STATUS *URGENT!

With the enactment of the Fiscal Year 2005 omnibus spending bill pending, Rural Development has been unable to secure additional funding for 502 guaranteed purchase loans during the next few weeks. Consequently, additional funding from the National Office reserve for purchase loans is virtually exhausted.

The National Office has sent a letter to Participating Nationwide Lenders advising of the shortage of funds and that Rural Development will continue to accept, review, and conditionally approve loan packages from lenders until additional FY 2005 appropriations are received. The spending bill requires that the guarantee fee collected on each loan be set at 2 percent. The bill also allows that the required 2% guarantee fee may be financed in the loan amount in all cases when the borrower requests such action. Current policy allows the guarantee fee to be financed only in cases where its inclusion in a loan does not cause the loan-to-value to exceed 100 percent. The new Appropriation Bill, when passed, will permit loan-to-value ratios to be up to 102 percent if necessary to permit the financing of the guarantee fee. As soon as National Office advises, we will notify you regarding the implementation date for the change in maximum loan-to-value.

As of today, Wisconsin has utilized virtually all of its GRH purchase funds. When funds are exhausted in Wisconsin, we will continue issuing approvals "subject to availability of funds" using the same language on the Conditional Commitment and same procedures used at the end of Fiscal Year 2004. These Conditional Commitments will require the 2% Guarantee Fee. Ample refinance loan funds remain available.

Additional funding is expected by mid-December 2004, however, we will continue to keep you updated as we know more. If you have any questions regarding this memo, call 1-866-GRH-3600 and ask for a Guaranteed Housing Specialist.

/s/

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Housing Program Director

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